

STATE OF WASHINGTON



**OFFICE OF
INSURANCE COMMISSIONER**

**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF WASHINGTON**

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**CALEDONIAN INSURANCE
COMPANY OF AMERICA,**

In the Matter of)

No. D 00 - 94

)

)

CONSENT ORDER
IMPOSING A FINE

An Authorized
Insurer)

FINDINGS OF FACT:

1.Caledonian Insurance Company of America ("Caledonian") is authorized under that name to write property and casualty insurance in Washington State. It was previously owned by the GRE Group, which sold it to an insurance holding company, USAgencies, Inc. in April of 1999. Caledonian is now known as " USAgencies Direct Insurance Company", but the company did not advise the Office of the Insurance Commissioner (OIC) of the name change, as of the time of the events described in this order. It will be called "Caledonian" in this order.

2. Caledonian was and is subject to Washington Administrative Code (WAC) 284-07-010, which requires each authorized property and casualty insurer to complete a special liability report and to file it with the OIC not later than May 1 of the year following the year which is the subject of the report.

3. In December of 1999, a broadcast letter from the OIC's Senior Actuary was included in an OIC

mailing to all authorized property and casualty insurers, including Caledonian. This letter reminded the insurers of the filing requirement and mentioned, in bold type, that "**Even if a company has no data to report, it still must submit the required form.**" The reverse of this letter consisted of the form itself. The letter included explicit instructions for filing.

4. The OIC did not receive Caledonian's 1999 special liability report before May 1, 2000. On May 10, the Senior Actuary sent the insurer a letter about this. The letter warned that if the OIC had not received the report by June 1, 2000, Caledonian would be subject to a fine of at least \$2500. The OIC did not receive the report by June 1, 2000.

5. On June 14, 2000, a staff attorney employed by the OIC wrote a letter to Caledonian, notifying it that it would receive a consent order imposing a fine of at least \$2500. The letter asked for the name, job title, and mailing address of the person at Caledonian, to whom the consent order should be sent. Caledonian did not respond to this letter, either, which was an official information request under WAC 284-30-650, "Prompt responses required", which provides that "It is an unfair practice for an insurer...to fail to respond promptly to any inquiry from the insurance commissioner relative to the business of insurance. A lack of response within fifteen business days from receipt of an inquiry will be considered untimely. A response must be in writing, unless otherwise indicated in the inquiry."

CONCLUSIONS OF LAW:

1. The failure of Caledonian Insurance Company of America to file its 1999 special liability report with the OIC by May 1, 2000, was a violation of RCW 48.05.380, "Reports by property and casualty insurers- Rules"; RCW 48.05.390, "Reports by various insurers- Contents"; and of WAC 284-07-010, "Special liability insurance reports required annually."

2. The failure of Caledonian Insurance Company to respond to the official information request in the OIC staff attorney's letter of June 14, 2000, was a violation of WAC 284-30-650. .

3. RCW 48.05.140, "Certificate of authority- Discretionary refusal, revocation, suspension" provides in subsection (1) that the Insurance Commissioner is authorized to refuse, suspend, or revoke an insurer's certificate of authority if the insurer "...Fails to comply with any provision of this code other than those for violation of which refusal, suspension or revocation is mandatory, or (which) fails to comply with any proper order or regulation of the commissioner."

4. RCW 48.30.010(2) provides that in addition to such unfair practices as are defined in chapter 48.30 RCW, "...the commissioner may from time to time by regulation...define other methods of competition and other acts and practices in the conduct of such business reasonably found by the commissioner to be unfair and deceptive..." This includes WAC 284-30-650, "Prompt responses required."

5. RCW 48.05.185, "Fine in addition to or in lieu of suspension, revocation or refusal" provides that "After hearing or with the consent of the insurer and in addition to or in lieu of the suspension, revocation or refusal to renew any certificate of authority, the commissioner may levy a fine upon the insurer in an amount not less than two hundred fifty dollars and not more than ten thousand dollars."

CONSENT TO ORDER:

1. The "USAgencies Direct Insurance Company." [formerly known as "Caledonian Insurance Company of America", stipulates to the foregoing Findings of Fact and Conclusions of Law. It

also stipulates to this order, which imposes a fine of \$3500 (three thousand five hundred dollars and no/100) upon the "USAgencies Direct Insurance Company.", in lieu of further proceedings against the insurer's certificate of authority in Washington State, under either the name "Caledonian Insurance Company of America" or "USAgencies Direct Insurance Company." This fine will be paid in full within thirty days of the entry of this order in Lacey, Washington. Failure to pay the fine timely and in full will constitute grounds for suspension or revocation of that certificate of authority. It will also result in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington, for recovery of the amount of the fine. In addition, the insurer has filed its special liability report for 1999 with the Insurance Commissioner. Except as expressly set forth in this order, this order and the fine it imposes shall not be construed as a waiver of the Insurance Commissioner's authority to take other and further disciplinary action, except as expressly set forth in this consent order.

2. The " USAgencies Direct Insurance Company" stipulates that it will obey all insurance laws and regulations, including but not limited to WAC 284-07-010(1), RCW 48.05.390 and WAC 284-30-650.

EXECUTED this _____ day of _____, 2000.

Typed Name

Typed Corporate Title

The USAGENCIES DIRECT INSURANCE COMPANY

ORDER:

Pursuant to RCW 48.05.185, the Insurance Commissioner has imposed a fine of \$3500

(three thousand five hundred dollars and no/100) upon Caledonian Insurance Company of America, AKA " USAgencies Direct Insurance Company", expressly in lieu of further proceedings against the certificate of authority held by the insurer in Washington state. The fine has been spaid in full and the insurer's special liability report for 1999 has been filed with the Insurance Commissioner." Except as expressly set forth in this order, the order and the fine it imposes shall

not be construed as a waiver of the authority of the Insurance Commissioner to take other and further disciplinary measures against the insurer.

ENTERED AT LACEY, WASHINGTON, on this _____ day of _____, 2000.

DEBORAH SENN

Insurance Commissioner

By _____

William Kirby, Assistant Deputy

Insurance Commissioner